

Message Text

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ACTION EB-07

INFO OCT-01 NEA-09 ISO-00 SP-02 AID-05 NSC-05 CIEP-01

TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

DODE-00 PM-03 H-01 L-02 PA-01 PRS-01 USIA-06 /082 W
----- 072935

R 270711Z FEB 75

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 2354

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY TEHRAN

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DEPT PASS EXIMBANK AND OPIC; COMMERCE FOR MEPD; TREASURY
FOR ASST SECY PARISKY

E.O. 11652: N/A

TAGS: EFIN, EINV, BEXP, XF, US

SUBJECT: TRILATERAL INVESTMENT SUGGESTIONS

REF: (A) BEIRUT 1661 (B) JIDDA 974

1. REF A REPORTED DISENCHANTMENT AMONG EXIMBANK OFFICIALS WITH
PROSPECTS FOR MAKING TRILATERAL INVESTMENT DEALS OF ANY SIZE
WITH CAPITAL SURPLUS STATES OF MIDDLE EAST. PERHAPS EXIM DISAP-
POINTMENT JUSTIFIED, BUT WE THINK TENOR OF REF A IS UNFORTUNATE.
MOREOVER, WE THINK TRILATERAL INVESTMENT IS TOO GOOD AN IDEA
FOR ALL CONCERNED FOR US TO LOSE FAITH IN IT AT THIS EARLY STAGE.

2. FIRST THINK TO DO, WE THINK, IS TO REMIND OURSELVES WHY IDEA
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APPEARED ATTRACTIVE IN FIRST PLACE. OUR HOPE WAS THAT BY CONSULT-

ING AND COOPERATING WITH CAPITAL SURPLUS STATES WE COULD
(A) HELP CHANNEL THEIR INVESTMENTS IN A WAY THAT WOULD BE
MUTUALLY BENEFICIAL AND (B) IN SO DOING WOULD ENHANCE EXPORT
PROSPECTS FOR US GOODS AND SERVICES. IN PROCESS CURRENT DIS-
TURBING OPEC SURPLUS FUND PROBLEM WOULD BE EASED AND BILATERAL
POLITICAL OBJECTIVES, NOT TO MENTION US-THIRD COUNTRY OBJECTIVES,
WOULD BE SERVED.

3. THESE ARE IMPORTANT AND LONG TERM GOALS. THEREFORE, WE BELIEVE
TIME HAS COME FOR USG TO ADOPT MORE BROADLY BASED AND LONG
TERM STRATEGY. IN THIS CONNECTION, WE SUGGEST AT THIS STAGE
IT MAKES SENSE TO CONCENTRATE ON TWO OR THREE COUNTRIES, RATHER
THAN TO STRAIN OUR OWN LIMITED RESOURCES. CLEARLY SAUDI ARABIA
IS MOST IMPORTANT COUNTRY, IN THIS CONTEXT. PERHAPS TRILATERAL
INVESTMENT ACTIVITY CAN BEST BE HANDLED IN BILATERAL COMMISSION;
WE DO NOT KNOW. APPARENTLY IRAN, UAE AND IRAQ OF REGIONAL STATES
ARE NOT LIKELY TO HAVE REAL SURPLUS FUNDS PROBLEM IN NEAR FUTURE.
IN ANY CASE EACH COUNTRY IS UNIQUE PERHAPS REQUIRING SPECIAL
HANDLING. FROM OUR VANTAGE POINT, USG SHOULD CONCENTRATE ON
SAUDI ARABIA, KUWAIT AND PERHAPS QATAR AS AREAS STATES THAT
WILL BE SEEKING TRILATERAL INVESTMENT OPPORTUNITIES. EVENTUALLY
UAE SHOULD BE INCLUDED ALSO.

4. IN WASHINGTON PROBLEM SHOULD BE HANDLED IN MORE COORDINATED
MANNER. DESPITE REF A WE THINK EXIM DOES HAVE A ROLE TO PLAY,
AND GOK, IN PRINCIPLE, WOULD VERY MUCH LIKE TO WORK WITH EXIM.
MOREOVER, EXIM PARTICIPATION COULD BE IMPORTANT CONSIDERATION
FOR GOK IN CERTAIN PROJECTS. WE ADMIT, HOWEVER, THAT OFTEN,
PERHAPS USUALLY, EXIM AND GOK REQUIREMENTS WILL NOT MESH.
IN THOSE CASES PERHAPS COMMERCE, OPIC, AID OR ANOTHER AGENCY WOULD
BE MORE LIKELY TO PLAY CATALYST ROLE. USG SHOULD ALSO BE
PREPARED TO WORK CLOSELY WITH PRIVATE SECTOR, PRIMARILY MAJOR
INTERNATIONAL BANKS.

5. BELIEVE WHAT IS NEEDED IS FOLLOWING: (A) CLEAR-CUT, LONG RANGE
EFFORT TO DEVELOP RELATIONSHIPS WITH SMALL GROUP OF CAPITAL
SURPLUS COUNTRIES THAT CAN BE EXPECTED TO REMAIN VERY ACTIVE AS
INTERNATIONAL INVESTORS; AND (B) STRUCTURAL CHANGES WITHIN
USG TO ASSURE FULL AND EFFICIENT COORDINATION OF TRILATERAL
INVESTMENT ACTIVITIES. PERHAPS AS EMBASSY JIDDA HAS SUGGESTED
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PART OF THIS COULD BE REGIONAL TRILATERAL INVESTMENT SPECIALISTS
IN WASHINGTON AND/OR IN THE FIELD.

6. WE REMAIN CONVINCED THAT TRILATERAL INVESTMENT IS AN IDEA
WHOSE TIME HAS COME. WE NOTE BRITISH HAVE OR ARE EXPECTED TO
CONCLUDE TWO MAJOR TRILATERAL DEALS WITH GOK IN EGYPT ALONE
(GLASS, BUSSES). IT WILL TAKE TIME TO FIND RIGHT PROJECTS, BUT
EUROPEANS ARE ALREADY DOING SO WITH KUWAITIS. HOPE WASHINGTON

AGENCIES WILL EXHIBIT DEGREE OF PATIENCE, COORDINATION AND INTEREST
REQUIRED AND THAT EFFORT WILL NOT FLAG SIMPLY BECAUSE
AFTER A FEW MONTHS AND COUPLE OF VISITS NO DEALS HAVE YET BEEN
CONCLUDED.
STOLTZFUS

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